

## Message Text

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ORIGIN EB-08

INFO OCT-01 NEA-10 IO-14 ISO-00 COME-00 STR-05 AID-05  
AGRE-00 CEA-01 CIAE-00 DODE-00 FRB-01 H-02 INR-07  
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-02 CTME-00  
SS-15 ITC-01 TRSE-00 USIA-15 PRS-01 SP-02 SOE-02  
OMB-01 DOE-11 /121 R

DRAFTED BY EB/OTG/CP:RREIS  
APPROVED BY EB/OT/GCP:JSLATTERY  
COMMERCE:GREDDING  
OMMERCE:RLEVIN  
STR:SLANDE  
AAIAI:MANDERSIN  
EB/OT/TEX:ABERRY

-----025616 290903Z /14

R 282114Z DEC 77  
FM SECSTATE WASHDC  
TO AMEMBASSY TEL AVIV  
INFO USMISSION GENEVA

UNCLAS STATE 308595

FOR MTN

E.O. 11652:N/A

TAGS:ETRD, EPAP, IS

SUBJECT:TARIFFS--ISRAEL'S TARIFF PREFERENCES TO EC ON  
TEXTILE ITEMS

REF: TEL AVIV 10420

1. THE DEPARTMENT APPRECIATES THE EMBASSY'S TIMELY REPORT  
OF ISRAEL'S INSTITUTION OF TARIFF PREFERENCES IN FAVOR OF  
THE EC ON CERTAIN TEXTILE PRODUCTS. IN A 1975 UNDERSTAND-  
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ING RESULTING FROM BILATERAL DISCUSSIONS WHICH PRECEDED  
THE UNITED STATES' DESIGNATION OF ISRAEL AS A GSP BENEFI-  
CIARY, ISRAEL, IN ORDER TO AVOID THE PROSCRIPTION OF  
SECTION 502(B)(3) OF THE TRADE ACT, AGREED TO REDUCE MFN  
DUTIES OF CERTAIN SPECIFIED ITEMS TO THE PREFERENTIAL RATE  
ACCORDED THE EC. ISRAEL UNDERTOOK TO MAINTAIN THE REDUC-  
TIONS ON THESE LISTED PRODUCTS PROVIDED THEY MEET THREE

CRITERIA:

A. THE MFN DUTY IS NOT LESS THAN 10.5 PERCENT;

B. US EXPORTS TO ISRAEL EXCEEDED 375,000 DOLLARS IN THE MOST RECENT YEAR FOR WHICH STATISTICS WERE AVAILABLE, AND;

C. THE EC SHARE OF ISRAEL'S IMPORTS WAS AT LEAST 10 PERCENT

IN THE MOST RECENT YEAR.

ISRAEL ALSO AGREED TO REDUCE IMPORT DUTIES ON ALL OTHER ITEMS WHICH ARE OF PARTICULAR INTEREST TO THE UNITED STATES BUT WHICH DO NOT MEET THE ABOVE CRITERIA, IF US TRADE IN SUCH ITEMS WOULD OTHERWISE BE ADVERSELY AFFECTED IN SIGNIFICANT MEASURE. THE US-ISRAEL UNDERSTANDING PROVIDES FOR CONSULTATIONS AT THE REQUEST OF EITHER COUNTRY ON THE ADDITION OR DELETION OF ITEMS FROM THE LIST OF THOSE ON WHICH ISRAEL GRANTS THE EC PREFERENCES.

2. ITEMS C, D, AND E IN PARAGRAPH 5 OF THE REFTEL ARE CONTAINED IN THE 1975 LIST AND FOLLOWING THE 1975 DISCUSSIONS WITH THE UNITED STATES ISRAEL REDUCED THE MFN DUTY TO THE EC PREFERENTIAL RATE. HOWEVER, ONLY C AND D MEET THE THREE CRITERIA BASED ON 1976 DATA, THE LATEST AVAILABLE. ITEMS A, B, F AND G ARE NOT IN THE 1975 UNCLASSIFIED

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LIST. ALTHOUGH THE DEPARTMENT DOES NOT HAVE THE AD VALOREM EQUIVALENT DUTY FOR ITEM A, IT SEEMS, HOWEVER, TO MEET THE THREE CRITERIA. US EXPORTS OF B, F AND G ARE SMALL AND IT DOES NOT SEEM THAT PREFERENCES TO THE EC ON THESE WILL HAVE A SIGNIFICANT ADVERSE EFFECT ON US COMMERCE.

3. WHEN THE EMBASSY DISCUSSES THE NEW PREFERENCES WITH ISRAEL'S TRADE OFFICIALS, IT SHOULD:

-- STATE THAT RAISING DUTIES TO ACCORD PREFERENCES SEEMS INCONSISTENT WITH GATT ARTICLE XXIV:5B.

-- REMIND THEM THAT ISRAEL AGREED TO ELIMINATE THE PREFERENCE MARGIN ON ITEMS CONTAINED IN THE 1975 LIST, INCLUDING ITEMS C AND D OF REFTEL, IN ORDER TO OBTAIN THE BENEFITS OF THE US GSP. IT IS CLEAR TO THE USG THAT 1975 UNDERSTANDING REQUIRES THAT MFN RATES ON C AND D BE REDUCED IMMEDIATELY TO THE EC LEVEL.

-- URGE THE REDUCTION OF MFN DUTIES ON ITEMS A AND E TO THE PRESENT EC PREFERENTIAL RATE, EVEN THOUGH A IS NOT ON

THE 1975 LIST AND E, WHILE ON THE 1975 LIST, FALLS  
MARGINALLY SHORT OF MEETING THE THIRD CRITERION.

-- STATE THAT IN THE NEAR FUTURE THE USG INTENDS TO REVIEW  
THE EFFECT ON US EXPORTS OF ALL OF THE PREFERENCES ISRAEL  
GRANTS THE EC IN LIGHT OF 1976 TRADE DATA, AND UPON COMPLE-  
TION OF THE REVIEW WILL SEEK CONSULTATIONS WITH ISRAEL IN  
ACCORDANCE WITH THE 1975 US-ISRAELI UNDERSTANDING. VANCE

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## Message Attributes

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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Subject:** TARIFFS--ISRAEL'S TARIFF PREFERENCES TO EC ON TEXTILE ITEMS  
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**Review Markings:**  
Margaret P. Grafeld  
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